



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 6, 2005

TO: Supervisor Gloria Molina, Chair  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **DEPARTMENT OF CONSUMER AFFAIRS - CABLE TELEVISION  
FRANCHISE AUDITS - ADELPHIA COMMUNICATIONS**

Under County Code Section 16.64.010, cable television companies in County franchise areas pay the County a fee based on their gross revenue. The Department of Consumer Affairs (DCA) requested audits of six franchise areas served by Adelphia Communications Co. (Adelphia) to determine whether Adelphia had properly reported their gross revenues and paid the correct franchise fees to the County for periods of one to four years, depending on the area. We contracted with Conrad and Associates, LLP (Conrad) to perform these audits.

Conrad issued a separate audit report for each franchise area. The reports indicate that Adelphia had underpaid the County for the six franchise areas by a total of \$39,186 (see Attachment). In addition, for four of the six franchise areas, Adelphia underpaid the County by more than two percent of the amount that should have been paid. Under County Code Section 16.64.070, if the underpaid amount is more than two percent of the amount that should have been paid, with no reasonable basis for the failure to report or pay, the franchisee must pay for the cost of the audit. As a result, Adelphia must also reimburse the County for the cost of four of the audits for a total of \$25,567.

Conrad discussed the results of these audits with DCA and Adelphia, who generally agreed with the findings. As noted on the attached schedule, DCA has collected \$21,139 of the unpaid franchise fees, and recently billed Adelphia for the remaining \$18,047. In addition, DCA has collected \$13,411 of the audit costs, and recently billed Adelphia for the remaining \$12,156.

*"To Enrich Lives Through Effective and Caring Service"*

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Because of the number of reports, we have not included copies of the reports. If you have any questions or would like copies of the individual audit reports, please call me or your staff can contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JS:MR

Attachment

c: David E. Janssen, Chief Administrative Officer  
Department of Consumer Affairs  
Pastor Herrera, Jr., Director  
Fern Taylor, Chief, Telecommunications Franchising  
Raymond G. Fortner, County Counsel  
Violet Varona-Lukens, Executive Officer  
Public Information Office  
Audit Committee

**DEPARTMENT OF CONSUMER AFFAIRS  
CABLE TV FRANCHISE AUDITS**

| <b>Adelphia Franchise</b> | <b>Audit Period<br/>(Calendar Year)</b> | <b>Franchise<br/>Fees Due</b> | <b>Audit Costs<br/>Due (1)</b> | <b>Total</b>     |
|---------------------------|---|-------------------------------|--------------------------------|------------------|
| East Los Angeles          | 2001 – 2003                             | \$ 13,159                     | \$ 4,180                       | \$ 17,339        |
| Glendora                  | 2000 – 2003                             | \$ 1,717                      |                                | \$ 1,717         |
| Marina del Rey            | 2000 – 2003                             | \$ 2,923                      |                                | \$ 2,923         |
| Rowland Heights           | 2002 – 2003                             | \$ 10,943                     | \$ 5,608                       | \$ 16,551        |
| Walnut Park               | 2000 – 2003                             | \$ 4,888                      | \$ 7,976                       | \$ 12,864        |
| South Whittier            | 2003                                    | \$ 5,556                      | \$ 7,803                       | \$ 13,359        |
| <b>Total Due</b>          |   | <b>\$ 39,186</b>              | <b>\$ 25,567</b>               | <b>\$ 64,753</b> |
| <b>Total Collected</b>    |   | <b>\$ 21,139</b>              | <b>\$ 13,411</b>               | <b>\$ 34,550</b> |
| <b>Balance Due</b>        |   | <b>\$ 18,047</b>              | <b>\$ 12,156</b>               | <b>\$ 30,203</b> |

- (1) County Code Section 16.64.070 requires the franchisee to pay for the cost of the audits if the underpaid amount is more than two percent of the amount that should have been paid, and there is no reasonable basis for the failure to report or pay.